Choose Cash Balance

a First-Class Plan For Your Future

... helps you travel in style on your retirement-planning journey.

... is a customized financial vehicle to help deliver you smoothly to your destination.



Passage

Safe passage guaranteed by a sound, secure system

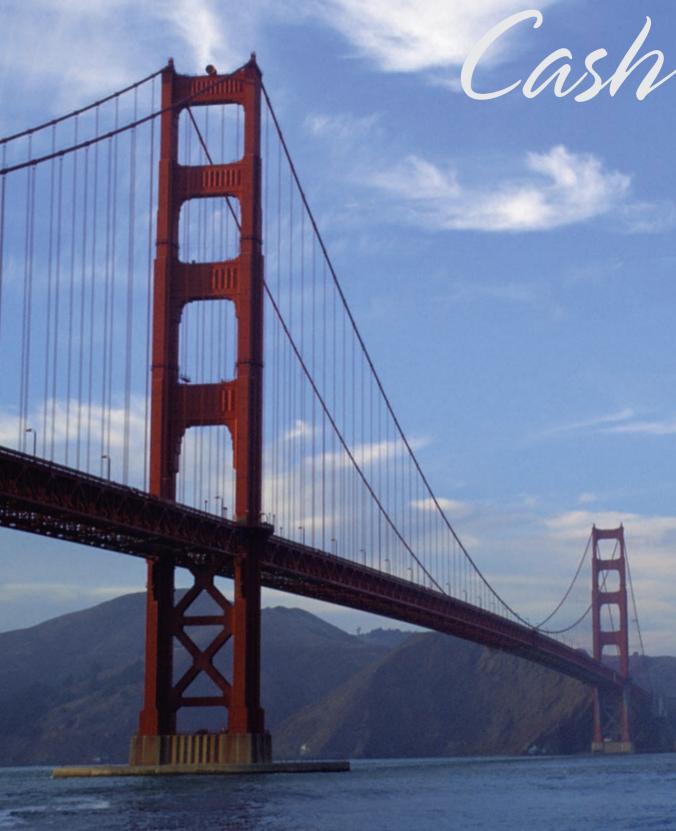
WHAT IS THE CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM?

The largest teachers' pension fund in the U.S., the California State Teachers' Retirement System was established by law in 1913 to secure retirement benefits for the state's public school teachers. CalSTRS' active members number more than 425,000, with monthly benefits disbursed to more than 170,000 recipients.

WHO ADMINISTERS CalSTRS?

The 12-member Teachers'
Retirement Board has a sound
record. Responsive to its members
and employers, it is an able steward
of the members' investments. The
governor appoints eight TRB
members; four others serve in an
ex-officio capacity: the state's
Superintendent of Public
Instruction; Controller; Treasurer;
and Director, Department of
Finance.





A first-class travel plan to retirement

As you map out your retirement savings goals, you will like the cash balance route.

The CalSTRS Cash Balance Benefit Program was designed specifically for you, the parttime teacher. You love what you do, but your part-time status gives you specific retirement concerns. These are met with the CB Benefit Program.

YOU MAY BE ELIGIBLE

Your district must formally decide if it will offer the CB Benefit Program as an alternative retirement program and if it will offer the CB Benefit Program exclusively or along with other alternative plans, including Social Security. Eligibility depends on your hiring basis, not the actual hours you work. The CB Benefit Program is available to you if you work up to or including 50 percent of a fulltime equivalent for your position. If you sign a contract with your district, it must be for a lessthan-50-percent commitment. Trustees of the governing board are eligible to participate for their board service if your

district offers the program to their eligible employees.

HOW DO I KNOW THE BEST WAY TO GO?

Federal law says employers must provide you, the part-time teacher, with either Social Security or a qualified alternative retirement plan. To compare the programs...

Ask yourself these questions:

- What is my annual contribution amount?
- Does the program charge administrative fees?
- Is there a tax-deferral component?
- Is there a guaranteed interest rate?
- When can I have access to the funds in my account?
- How much of the funds will I get back?
- Does the program have a record of sound investment plan experience?
- Can I easily move my savings to another reliable, qualified retirement plan?
- Is the plan portable to another employer?

The CB Benefit Program has the answers:

- Typically, you contribute about 4 percent of your salary, depending on your local bargaining agreement
- You are charged no administrative fees
- You defer the tax payments on these savings
- The CB Benefit Program offers a guaranteed annual interest rate
- No minimum of service years is required. You are immediately vested
- If you leave teaching before retirement you have the right, a year after termination of employment, to receive the contributions made by you and your employer
- You have CalSTRS' superb investment track record and guarantee that all benefits will be paid in full





You can continue participation in the CB Benefit
 Program even if you are
 hired by another district
 not offering the CB
 Benefit Program

 You can roll over eligible funds into or out of the CB Benefit Program or another qualified retirement plan.

SAVE WITH HALF THE EFFORT

Want to double your retirement savings? In the CB Benefit Program, your employer matches your contribution dollar for dollar. The combined contribution will usually total about 8 percent of your creditable earnings. Typically, you contribute 4 percent and so does your district, but alternative rates may be set, depending on the local collective bargaining agreement. Your contributions are made on a

pre-tax basis, reducing the amount of your taxable income.

MANY REWARDS FOR PLAN-NING AHEAD

The CB Benefit Program's guaranteed interest rate is adjusted annually, based on a 12-month average of the 30-year U.S.

Treasury rate. At times, the Teachers' Retirement Board may add an additional earnings credit to your account. For instance, for the 1998–99 fiscal year, the TRB increased each participant's account balance by 2.0 percent as a result of exceptional performance of the investments.

With the compounded interest your savings earn, your monthly investment of one hundred dollars a month for 10 years, at 6 percent, grows to approximately \$16,300. Will it support you for life? No. Does it increase your security? Yes.

Planning ahead

As you review your choices, ask yourself:

HOW SOON CAN I JOIN?

This depends on your current situation. For current Defined Benefit Program members, once your district offers the CB Benefit Program, you have 60 days to decide which program you prefer. If you do not choose, you automatically continue in the DB program. If you are part time in the DB program and teach part time for more than one district, you can choose the CB Benefit Program with any employer who offers it. However, if you are a new employee or if you currently contribute to Social Security or another alternative retirement program (not the CalSTRS DB Program), you automatically participate in the CB Benefit Program. If your employer continues to offer an alternative plan, in addition to the CB Benefit Program, you must formally elect a plan within 60 days. If you do not act on this choice, you automatically become a CB Benefit Program participant. If you do choose to

retain your alternative retirement plan or Social Security coverage, you may elect at any time to switch to the CB Benefit Program.

WHEN CAN I RECEIVE MY RETIREMENT BENEFITS?

You may retire as early as age 55 with no penalty. You can take out your funds at retirement or let them collect further interest, but you must start taking distribution of your funds by age 70 ^{1/2} unless you continue working.

HOW MUCH WILL MY RETIREMENT BENEFITS BE?

This depends on the amount of your contributions, your employers' contributions, the compounded interest on the accumulated funds and any added earnings credit approved by the Teachers' Retirement Board.

HOW IS MY RETIREMENT PAID?

You normally receive your retirement funds in a lump-sum payment, which you can roll over into an Individual Retirement Account, a defined contribution plan or any other qualified plan

that agrees to a rollover. With \$3,500 or more in your account, you can elect to receive a distribution under one of several annuity options, some of which provide you a lifetime benefit (see box on page 8).

SUPPOSE I BECOME DISABLED BEFORE I RETIRE?

Before you receive the disability benefit, you must terminate all CalSTRS-covered employment. Once the Teachers' Retirement Board determines that you have a total, permanent disability, you normally receive a lumpsum payment of the funds in your account. As above, you may roll the payment over into an IRA, a defined contribution plan or any other such eligible plan. Or, if your account balance is \$3,500 or more, you may elect a distribution under one of the annuity options.





Yes, you and your employer still make the separate 1.45 percent contribution for Medicare coverage. In addition, your retirement program contributions are not included in determining how much you contribute to Medicare.

CAN I GET MY CASH BALANCE CONTRI-BUTIONS BACK IF I LEAVE MY JOB?

If you terminate all CalSTRS-covered employment before retirement, you must wait a year before receiving the funds in your account - your contributions and those of your employer, plus any compounded interest — and you may apply for a lump-sum distribution of these funds. The process is different if you leave due to disability, retirement or death.

WHAT IF I BEGIN **TEACHING FULL-TIME?**

You automatically become a

member of the Defined Benefit Program. You have a choice on how your CB Benefit Program funds are used. The contributions can remain secure in your CB account, accumulating interest, without fees, until you retire or terminate all creditable service, or you may purchase DB Program service credit for eligible service covered under the CB Benefit Program as long as you have ceased performing service under the CB Benefit Program.

CAN I ROLL OVER THESE FUNDS WHEN I LEAVE?

To avoid federal and state tax penalties that apply to some pre-retirement withdrawals, you can transfer or roll over your funds into a qualified retirement plan or an IRA. Any funds you leave in your CB Benefit Program account continue to grow, tax-deferred, until you reach age 70 1/2.

DOES THE CASH BALANCE BENEFIT PROGRAM AFFECT ANY SOCIAL SECURITY **BENEFITS I'VE EARNED?**

If you perform work not covered by Social Security, but covered by any alternative retirement plan such as the CB Benefit Program, the Social Security benefits you receive for other work, or as a spouse of a Social Security recipient, may be

reduced. For information, contact the Social Security Administration at (800) 772-1213.

WHAT HAPPENS TO MY CASH BALANCE ACCOUNT IF I DIE BEFORE I RETIRE?

When you elect the CB Benefit Program, you choose the beneficiary of any death benefits you have: persons or a person (usually a spouse), a trust or your estate. You may change your beneficiaries at any time and the beneficiary will receive a lump-sum payment, usually the total of the contributions and the interest in your account. However, if your account contains at least \$3,500, your beneficiary may elect either a single-life annuity without a cash refund or a period-certain annuity.

CAN I CONVERT MY **CONTRIBUTIONS TO** AN ANNUITY?

If you have an account balance of \$3,500 or more, you can, on retiring, choose one of the following five annuities:

- A single-life annuity, with cash refund
- A single-life annuity without cash refund
- A 100 percent joint and survivor annuity
- A 50 percent joint and survivor annuity
- A period-certain annuity

Tailor retirement planning to your needs

WHY ADD THE CASH BALANCE BENEFIT PROGRAM TO MY RETIREMENT PLANNING?

You probably have a retirement goal, but reaching it requires many resources. If you include the CB Benefit Program, you add:

- · A small portion of your earnings
- Your employer's contributions
- Compounded interest on the full amount
- Additional earnings credit occasionally approved by the Teachers' Retirement Board
- More income now because your contributions are tax deferred.

I LIKE TO TRAVEL IN COMFORT AND SAFETY

As you plan the best way to reach your retirement destination, ask yourself:

- How will today's decision affect my future choices?
- How many more work years do I have?
- Will I continue on a part-time basis?
- Will I change to full-time status?
- Will I continue working in California?

- Do I work for more than one school district?
- Do I want to be part of the Social Security system?
- How many quarters (quarteryear periods) do I have in the Social Security system?
- Would I rather be in the CalSTRS Defined Benefit Program?
- Do I want an investment management team with a proven record?

EVALUATE THE EXPERIENCE OF OTHERS

The following two teachers studied their choices based on different factors. They both expect to have happy landings when they are ready to retire.

Maria's Route

Just starting out as a part-time third grade teacher, Maria hopes to move on to a full-time position. She knows she should save for retirement while she is young, but money is tight. Maria likes the security and stability that CalSTRS offers through its Defined Benefit Program. At the same time, though, it will take her many years to qualify for the DB

Program benefits while having to contribute 8 percent of her salary.

As she reviewed both programs, she noted the CB Benefit Program offers CalSTRS' sound financial history but requires about a 4 percent salary contribution matched by her district. In addition, she postpones the tax payment on her contributions.

If Maria attains her career goal of full-time teaching, what happens to her CB Benefit Program contributions? She automatically becomes a member of the Defined Benefit Program. She has a choice on how her CB Benefit Program funds are used. The contributions can remain secure in her CB account, accumulating interest, without fees, until she retires or terminates all creditable service, or she may purchase DB Program service credit for eligible service covered



under the CB Benefit
Program as long as she has
ceased performing service
under the CB Benefit
Program.

If she has at least \$3,500 in her account when she retires, Maria can choose an annuity that would later pay her a monthly retirement benefit for life. Or, if she chooses a joint and survivor annuity, she gets the lifelong benefit and, upon her death, leaves a lifelong monthly benefit to her beneficiary.

Tony's Route

A long time substitute teacher, Tony also works part time in a friend's copy shop each summer and during the holidays.

Tony can join the CalSTRS Defined Benefit Program but feels it could take him forever to get enough service credit to qualify. As the law requires him to be covered by some plan,

he currently pays into Social Security.

Tony, confident in the CB Benefit Program and in CalSTRS' investment growth, changes to the program when his district offers it. He is glad the size of his contribution is less and that his district matches it. In addition, if he one day leaves teaching, he can withdraw both his own and his employer's contributions, with interest.

Tony still earns Social Security benefits on his copy shop job. He may eventually decide to teach full time or to move on to a nonteaching job. Still uncertain of his career plans, Tony likes the flexibility of having both resources for retirement planning.



The extras you get when you go with CalSTRS

As part of the CalSTRS Cash Balance Benefit Program, you are eligible for many of the services available to full-time educators and other members of the CalSTRS Defined Benefit Program.

ANNUAL STATEMENT OF ACCOUNT

You will have a CalSTRS account in your name and receive a statement each year showing the balances of your contributions, your employers' contributions and interest credited to your account.

CaISTRS VIP PROGRAM

Set aside even more retirement funds through this tax-deferred 403(b) savings program. The Teachers' Retirement Board oversees this program's competitively priced services and self-directed investment options. For more information, call (800) 699-4032.

CalSTRS HOME LOAN PROGRAM

If applying for a fixed-rate, first-mortgage home loan, you can probably take part in this program that offers "no points, no fees" financing for a conventional purchase or refinance loan. For more information, call (800) 228-5453.

CalSTRS BULLETIN

This twice-a-year newsletter tells you of important retirement law changes, proposed legislation and related issues. Mailed directly to you, each *Bulletin* contains information pertaining to part-time educators.

CaISTRS FINANCIAL EDUCATION PROGRAM

You may attend regional workshops that provide basic, unbiased financial planning information for your remaining work years and retirement. Call CalSTRS at (800) 228-5453 or (916) 228-3870 for information.

CalSTRS PUBLIC SERVICE OFFICE

This is your customer service unit. The trained staff will answer your telephone and written inquiries. You can call the Public Service Office at (800) 228-5453, at (916) 229-3870 or, for TDD, at (916) 229-3541. You can write to CalSTRS, Attention: Cash Balance Benefit Program, MS #20, P.O. Box 15275, Sacramento, CA 95851-0275.

Please include your name, current address, daytime telephone number and Social Security number.

THE CalSTRS WEB SITE

Find more information on the Cash Balance Benefit Program and other CalSTRS programs at www.calstrs.ca.gov.





Program Summary

DESCRIPTION OF PROGRAM

The Cash Balance (CB) Benefit Program is a defined benefit plan that meets the requirements of the Internal Revenue Code. It is optional to school districts, community college districts or county offices of education as an alternative retirement plan. The CB Benefit Program is a primary retirement program for employees of California public schools who are hired to perform creditable service for less than 50 percent of the full-time equivalent (FTE) for the position.*

PLAN ELIGIBILITY REOUIREMENTS

Employers may offer the CB Benefit Program to eligible employees. Employers must elect through formal school board action, exclusively, or in addition to other alternative plans, and/or Social Security.

When an employer first elects to offer the CB Benefit Program, employees employed to perform creditable service, and whose basis of employment (employees formal contract) is less than 50 percent of the FTE for the position, become participants on the later of: (1) the first day in which creditable service is performed or (2) the effective date of the employer's governing board's action to provide the CB Benefit Program.

ELECTIONS

Employees have the right to elect coverage under either Social Security, or an alternative plan in lieu of the CB Benefit Program if the employer's governing board's action provides these options.

An election to participate in either Social Security or an alternative plan does not prevent an employee from electing to participate in the CB Benefit Program at a later date, as long as the CB Benefit Program is provided by the employer and the employee is eligible to participate in the plan.

DISCONTINUED ELIGIBILITY

Employees shall cease contributing to the CB Benefit Program and become mandatory members of the CalSTRS Defined Benefit (DB) Program when the basis of employment (formal contract) changes to 50 percent or more of full-time for the position, OR upon election to the CalSTRS DB Program, which may occur at any time.

CONTRIBUTIONS

Each employer contributes a minimum of 4 percent of salary on behalf of each participating employee. Through the collective bargaining process, employers are permitted to pay different levels of employee and employer contributions, as long as the following conditions are met:

- The sum of the employee and employer contributions equals or exceeds 8 percent of employee salary.
- The employee and employer contribution rates are the same for each participant employed by the employer.
- 3) The contribution rates as determined under the collective bargaining agreement become effective on the first day of the plan year and remain in effect for at least one plan year.

VESTING

A participant has an immediate vested right to a retirement benefit, equal to the sum of the balance of contributions, including any compounded interest earned on his or her employee and employer accounts.

^{*}Also, a person who performs trustee service for an employer who has elected to provide the Cash Balance Benefit Program may elect to participate for that service.

GUARANTEED INTEREST RATE

The CB Benefit Program has a guaranteed interest rate which is determined annually by the California Teachers' Retirement Board (board). The rate is based on the average of thirty-year U.S. Treasury notes for the 12 months immediately preceding the plan year (May-April).

PLAN INVESTMENTS

The CB Benefit Program is a separate benefit structure within CalSTRS. CB Benefit Program contributions are invested at the direction of the board in internally pooled portfolios of the Teacher's Retirement Fund. The CB Benefit Program has ownership of units of these pooled portfolios, which reflect market fluctuations of underlying securities on a daily basis. Units are purchased using the current market value per unit. Unitized funds are accounted for on a multiple class level, which entails the sharing of one portfolio by two or more owners. Income and portfolio level expenses are distributed to each class level on a pro rata basis determined by the amount of units owned as a percentage of the total units of the portfolio.

GAIN AND LOSS RESERVE

Funds accumulate in a Gain and Loss Reserve to credit interest to participants' employee and employer accounts during years when the rate of return on investments is less than the guaranteed interest rate. Annual additions to the reserve are determined by the board on earnings in excess of those needed to credit the guaranteed interest rate and pay administrative costs. The Gain and Loss Reserve will also be used to ensure adequate funds are available in the Annuitant Reserve for monthly annuity payments.

ADDITIONAL EARNINGS CREDIT

After the end of the plan year, when the total investment earnings for the immediately preceding plan year are known, the board may declare an additional earnings credit. Any additional earnings credit will be applied to participants' employee and employer accounts.

RETIREMENT ELIGIBILITY

Normal retirement age is 60, but no earlier than age 55 years. A participant must terminate all creditable service in the CB Benefit Program and apply for a retirement benefit. Distribution of a retirement benefit must begin by age 70 1/2, unless still working.

EARLY WITHDRAWALS

Both federal and California state tax codes provide for tax penalties for certain early withdrawals. A 10 percent federal and 2.5 percent state tax penalty may be assessed for early withdrawals.

ROLLOVER

Participants may be permitted to transfer funds from eligible retirement plans into the CB Benefit Program, as long as the transfers are allowable under applicable federal and state laws.

RETIREMENT BENEFIT

Normal retirement benefit is a lump-sum benefit equal to the balance of credits in participant's employee and employer accounts. All of the lump-sum payment may be eligible to roll over into an IRA, defined contribution (DC) plan, or other eligible retirement plan that accepts such a rollover.

OR

Participant may choose one of the following five annuities, if participant's balance is \$3,500 or more: a single life annuity with a cash refund feature, a single life annuity without a cash refund feature, a 100 percent joint and survivor annuity, a 50 percent joint and survivor annuity, and a period-certain annuity.

REINSTATEMENT FROM RETIREMENT

If a participant reinstates subsequent to commencing a monthly annuity:

- within one year and prior to age 60. All annuities must be terminated and a credit balance will be applied to the participant's account. The participant must reapply for subsequent retirement.
- after one year and age 60 or older. Continue any annuity and credit new contributions to a new participant's account. The participant would apply for subsequent retirement on the basis of the new account.

DISABILITY ELIGIBILITY

A participant may apply for disability at any time. All creditable service subject to coverage by the CB Benefit Program and DB Program must be terminated prior to the disability date. A disability benefit will become payable only upon determination by the TRB that the participant has a total and permanent disability.

DISABILITY BENEFIT

Normal distribution is a lumpsum benefit. The benefit amount is equal to the balance of contributions, interest and additional credits in participant's employee and employer accounts. There is also an annuity available in the same five retirement benefit options as long as participant's account balance is \$3,500 or more.

DEATH BENEFIT

Death of Participant Prior to Retirement

Normal distribution is a lumpsum benefit. The sum of the balance of credits of the participant's employee and employer accounts is payable to the named beneficiary. If no valid beneficiary is designated, the lump-sum payment will be paid to the participant's estate.

Participant's Designated Beneficiary

The beneficiary may elect to receive an annuity payable in monthly installments provided the sum of both the employee and employer accounts equals at least \$3,500. The beneficiary may elect either a single life annuity without a cash refund feature, or a period-certain annuity.

Death of Participant Receiving Annuity

Benefit payable in accordance with form of annuity elected by participant.

TERMINATION BENEFIT (REFUNDS)

Upon termination of all creditable service subject to coverage by the CB Benefit Program and the DB Program, for any reason other than death, disability, or retirement, a participant may apply for a lump-sum termination benefit. The benefit amount is equal to the sum of the employee and employer accounts, plus compounded interest as of the date the benefit is paid.

Five-Year Rule

A participant may not apply for a termination benefit, if less than five years has elapsed following the date that the most recent termination benefit was distributed to the participant.

Waiting Period

The termination benefit is payable after one year has elapsed following the date of termination of employment. The application for the termination benefit will be automatically canceled if the participant performs creditable service within one year following the date of termination of employment.

